

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

FARMWORKER HOUSING ASSISTANCE PROGRAM PROGRAM DESCRIPTION

Recognizing the urgent housing need for agricultural workers, the state legislature enacted the Farmworker Housing Assistance Program ("FHAP"). Health and Safety Code Section 50199.51, Revenue and Taxation Code Sections 17053.14, 23608.2 and 23608.3 authorize the program. The California Tax Credit Allocation Committee ("TCAC") is currently authorized to allocate tax credit under the FHAP in the amount of \$500,000 annually.

The FHAP provides those owners rehabilitating existing, or constructing new farmworker housing a credit against their state income tax in an amount equaling 50% of the costs of rehabilitation or construction. The program also provides a credit to Lenders providing below market-interest rate loans to finance the construction or rehabilitation of farmworker housing. Banks or financial corporations are eligible for a tax credit in an amount equal to 50% of the difference between the market- rate interest income and the amount of interest charged the farmworker housing project at a reduced interest rate.

In order to obtain the credit, owners and lenders must submit an application to TCAC, prior to the payment or incurrence of costs or funding of the loan that provides information regarding the proposed project. Such information will include, but not be limited to:

- project ownership structure;
- project location;
- project sources and uses;
- project operating income and expenses;
- financing information and loan amortization schedules.

Eligible types of housing include multi-family dwellings, single family dwellings, mobile homes, or prefabricated housing. Farmworkers need not be employed by the owner of the farmworker housing project. Family projects, where all units are two-bedroom or larger will receive preference under the program. Occupants of the housing assisted by the FHAP must be farmworkers.

TCAC developed regulations and application forms. Applications for the credit will be accepted May 15, 1998 through June 15, 1998, the first funding cycle established by TCAC. If more credit is requested than that available, TCAC will evaluate and rank the applications according to criteria set forth in its regulations. Criteria by which applications will be ranked include: readiness as determined by the amount of financing committed; and cost efficiency as determined by the total project cost per square foot. The amount of equity contributed in relation to the amount of credit requested will serve to break any tie between equally ranked projects.

Owners and lenders will be allowed tax credit in an amount determined by TCAC based on certified costs once the project is placed-in-service. TCAC will issue TCAC Form 3521B certification of credit. Owners may apply the credit against the current year's tax

liability. If the credit received by the owner exceeds the owner's liability, the excess credit may be carried over and used during subsequent years. Credit received by lenders will be allowed in equal installments over a 10-year period. If the credit exceeds the liability, the excess may not be carried over into future years.

Farmworker housing owners receiving an allocation must agree to enter into an agreement with TCAC, which provides that the housing produced under the program will be maintained as farmworker housing for a period of 30 years.

TCAC anticipates reserving approximately \$1 million in tax credit, \$500,000 in 1997 authority and \$500,000 in 1998 authority, under the Farmworker Housing Assistance Program during 1998.